

**BILL #** HB 2248

**TITLE:** appropriation of federal monies

**SPONSOR:** Pearce

**STATUS:** House Engrossed/Vetoed

**REQUESTED BY:** House

**PREPARED BY:** Stefan Shepherd

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**FISCAL YEAR**

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**2003**

**2004**

**2005**

**EXPENDITURES**

General Fund/Federal Funds

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See Below

**FISCAL ANALYSIS**

**Description**

The bill permits, but does not require, legislative appropriation of non-custodial federal monies. If the Legislature does not make an appropriation of a particular federal grant, the relevant state agency would retain the authority to expend these monies.

**Estimated Impact**

The bill could have both potential costs and savings. The magnitude of the fiscal impact, however, will depend on the extent to which the Legislature decides in future years to begin appropriating federal funds. The potential impacts are as follows:

- There may be administrative costs to the Department of Administration and state agencies as the paperwork for appropriated funds is greater than non-appropriated monies. Some of these costs, however, may be recouped through the statewide indirect cost charges levied on federal grants. The bill could also result in additional workload for the Governor's Office of Strategic Planning and Budgeting (OSPB) and legislative staff. The need for added staff will depend on the level of federal fund appropriation and the extent of legislative oversight.
- The bill could generate savings to the extent that greater legislative oversight identifies either overlaps in federal and state spending or efficiencies from greater coordination of appropriated and currently non-appropriated funds.
- The bill could affect the state's existing level of federal funding. For example, the Legislature could choose to appropriate less than the full federal funding level for a particular program. In the opposite circumstance, the Legislature could provide appropriation authority for federal discretionary grants that the state may not have previously sought.

The state's General Accounting Office (GAO) believes the bill will have a fiscal impact associated with administrative costs to its office and other state agencies. It did not have an estimate of those costs.

**Analysis**

The Arizona Legislature generally does not appropriate federal funds. The only exceptions are welfare-related block grants in the Department of Economic Security (DES) that are required to be appropriated by federal law. The bill specifies that the Legislature retains the authority to appropriate non-custodial federal monies as defined in the bill.

The state GAO indicates that there are some costs in its budget associated with converting non-appropriated funds to appropriated status. These costs include setting up the appropriation paperwork and processing allotment transfers. Setting up the paperwork can take perhaps 15 minutes for a lump sum appropriation to something longer for a more detailed

(Continued)

## **Analysis (Cont'd)**

appropriation (e.g., with Special Line Items). Allotment transfers can range from 5 minutes to 2 to 3 hours; GAO roughly estimates that they process allotment transfers on perhaps 5% of their funds. These times would be multiplied if the Legislature appropriated individual federal grants.

There would also be costs to state agencies in processing the requests to GAO. In addition, state agencies would need to provide additional information in their budget requests. This information is already collected and compiled, but is displayed only in summary form in part of the budget request.

Appropriating federal funds could also generate additional work for OSPB and legislative staff. This work includes developing budget recommendations and technical adjustments such as health insurance allocations.

Because the bill does not mandate that any federal funds be appropriated, the JLBC Staff cannot determine any additional costs resulting from the bill. The more federal funds the Legislature appropriates, and the greater the detail (e.g., appropriating by grant rather than by total federal funds for an agency), the more likely it is that the costs to GAO, agencies, OSPB, and legislative staff would be more than minimal. Without knowing how the Legislature would appropriate federal funds, however, we cannot determine whether the costs will cross that minimal threshold.

Finally, it is possible that appropriating federal funds will generate additional General Fund or Other Fund savings. JLBC Staff cannot determine, however, the amount of those savings or what the Legislature would choose to do with them. For example, 8 state agencies administer federal and state domestic violence-related funding. Appropriating federal funds could result in additional information regarding service efficiencies that would lead to savings. Appropriating federal funds could, however, result in additional information regarding available matching or discretionary funds that would lead to appropriation of more state or federal monies.

## **Local Government Impact**

None

3/11/03